



ANNUAL STATEMENT  
For the Year Ending December 31, 2008  
OF THE CONDITION AND AFFAIRS OF THE  
QCA Health Plan, Inc.

NAIC Group Code	0000 (Current Period)	0000 (Prior Period)	NAIC Company Code	95448	Employer's ID Number	71-0794605
Organized under the Laws of	Arkansas		State of Domicile or Port of Entry	Arkansas		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[ ] Dental Service Corporation[ ] Other[ ]		Property/Casualty[ ] Vision Service Corporation[ ] Is HMO Federally Qualified? Yes[ ] No[X] N/A[ ]		Hospital, Medical & Dental Service or Indemnity[ ] Health Maintenance Organization[X]	
Incorporated/Organized	04/08/1996		Commenced Business	07/31/1996		
Statutory Home Office	10825 Financial Centre Parkway, Suite 400 (Street and Number)		Little Rock, AR 72211 (City or Town, State and Zip Code)			
Main Administrative Office	10825 Financial Centre Parkway, Suite 400 (Street and Number)					
	Little Rock, AR 72211 (City or Town, State and Zip Code)		(501)228-7111 (Area Code) (Telephone Number)			
Mail Address	10825 Financial Centre Parkway, Suite 400 (Street and Number or P.O. Box)		Little Rock, AR 72211 (City or Town, State and Zip Code)			
Primary Location of Books and Records	10825 Financial Centre Parkway (Street and Number)					
	Little Rock, AR 72211 (City or Town, State and Zip Code)		(501)228-7111 (Area Code) (Telephone Number)			
Internet Website Address	www.qcark.com					
Statutory Statement Contact	Randall Crow (Name)		(501)219-5109 (Area Code)(Telephone Number)(Extension)			
	randall.crow@qcark.com (E-Mail Address)		(501)228-0135 (Fax Number)			

OFFICERS

Name	Title
Michael Edward Stock	President
James W. Couch	Secretary
Randall Alvin Crow	Treasurer

OTHERS

Miles Haley Wilson, Vice President/CIO-I.T.  
Roger Keeney Howe M.D., MMM, Vice President - Medical Affairs  
Betty Jo Tatum-Himes, Vice President - Sales & Marketing  
James W. Couch J.D., Chief Compliance Officer  
Joni Self Daniels, Vice President - Operations  
Jon Foose, Vice President - Underwriting #

DIRECTORS OR TRUSTEES

Richard Allen Pierson  
Buford Joseph Suffridge DDS, MS,PA  
A. David Hall M.D.  
Barbara Garner Williams RN, PhD  
Raymond Willaim Montgomery II #  
Patricia Ellen Gorman  
Jospeh Patrick Searcy  
Charles W. Smith M.D.  
Jospeh Maurice Elser M.D.  
James Knox Hendren PhD

State of Arkansas  
County of Pulaski ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Michael Edward Stock	James W. Couch	Randall Alvin Crow
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President	Secretary	Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2009  
a. Is this an original filing? Yes[X] No[ ]  
b. If no, 1. State the amendment number \_\_\_\_\_  
2. Date filed \_\_\_\_\_  
3. Number of pages attached \_\_\_\_\_

\_\_\_\_\_  
(Notary Public Signature)

DIRECTORS OR TRUSTEES (continued)

Martin Fiser M.D.	Harold Jackson Lassiter Jr.
Michael Edward Stock	Alan D. Winkler #

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D) .....	12,390,478		12,390,478	13,445,246
2.	Stocks (Schedule D)				
2.1	Preferred stocks .....				
2.2	Common Stocks .....				
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens .....				
3.2	Other than first liens .....				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$.....0 encumbrances) .....				
4.2	Properties held for the production of income (less \$.....0 encumbrances) .....				
4.3	Properties held for sale (less \$.....0 encumbrances) .....				
5.	Cash (\$.....20,275,719 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....0 Schedule DA) .....	20,275,719		20,275,719	14,695,031
6.	Contract loans (including \$.....0 premium notes) .....				
7.	Other invested assets (Schedule BA) .....	5,580		5,580	5,484
8.	Receivables for securities .....				
9.	Aggregate write-ins for invested assets .....				
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....	32,671,777		32,671,777	28,145,761
11.	Title plants less \$.....0 charged off (for Title insurers only) .....				
12.	Investment income due and accrued .....	164,814		164,814	183,735
13.	Premiums and considerations				
13.1	Uncollected premiums and agents' balances in the course of collection .....	340,524		340,524	292,035
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums) .....				
13.3	Accrued retrospective premiums .....				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers .....	580,161		580,161	400,665
14.2	Funds held by or deposited with reinsured companies .....				
14.3	Other amounts receivable under reinsurance contracts .....				
15.	Amounts receivable relating to uninsured plans .....	16,926		16,926	
16.1	Current federal and foreign income tax recoverable and interest thereon .....				
16.2	Net deferred tax asset .....	624,000		624,000	814,000
17.	Guaranty funds receivable or on deposit .....				
18.	Electronic data processing equipment and software .....				
19.	Furniture and equipment, including health care delivery assets (\$.....0) .....				
20.	Net adjustment in assets and liabilities due to foreign exchange rates .....				
21.	Receivables from parent, subsidiaries and affiliates .....	155,478		155,478	511,066
22.	Health care (\$.....0) and other amounts receivable .....	505,226	505,226		
23.	Aggregate write-ins for other than invested assets .....	5,903	5,900	3	162,477
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	35,064,809	511,126	34,553,683	30,509,739
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26.	Total (Lines 24 and 25) .....	35,064,809	511,126	34,553,683	30,509,739
DETAILS OF WRITE-INS					
0901.	.....				
0902.	.....				
0903.	.....				
0998.	Summary of remaining write-ins for Line 9 from overflow page .....				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....				
2301.	Prepaid Admin Contract .....	5,900	5,900		
2302.	State of Arkansas, CHIP deduction .....				162,477
2303.	rounding .....	3		3	
2398.	Summary of remaining write-ins for Line 23 from overflow page .....				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	5,903	5,900	3	162,477

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$.....0 reinsurance ceded) .....	8,518,945	936,044	9,454,989	6,803,838
2.	Accrued medical incentive pool and bonus amounts .....				
3.	Unpaid claims adjustment expenses .....	68,944		68,944	58,045
4.	Aggregate health policy reserves .....				
5.	Aggregate life policy reserves .....				
6.	Property/casualty unearned premium reserves .....				
7.	Aggregate health claim reserves .....				
8.	Premiums received in advance .....	2,464,505		2,464,505	2,340,601
9.	General expenses due or accrued .....	1,349,642		1,349,642	1,357,144
10.1	Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)) .....	22,127		22,127	20,164
10.2	Net deferred tax liability .....				
11.	Ceded reinsurance premiums payable .....				
12.	Amounts withheld or retained for the account of others .....				
13.	Remittances and items not allocated .....				
14.	Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current) .....				
15.	Amounts due to parent, subsidiaries and affiliates .....	276,496		276,496	751,551
16.	Payable for securities .....				
17.	Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers) .....				
18.	Reinsurance in unauthorized companies .....				
19.	Net adjustments in assets and liabilities due to foreign exchange rates .....				
20.	Liability for amounts held under uninsured plans .....	1,281,140		1,281,140	1,709,062
21.	Aggregate write-ins for other liabilities (including \$.....0 current) .....				
22.	Total liabilities (Lines 1 to 21) .....	13,981,799	936,044	14,917,843	13,040,405
23.	Aggregate write-ins for special surplus funds .....	X X X	X X X		
24.	Common capital stock .....	X X X	X X X	1,553	1,553
25.	Preferred capital stock .....	X X X	X X X	25,500,046	25,500,046
26.	Gross paid in and contributed surplus .....	X X X	X X X		
27.	Surplus notes .....	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds .....	X X X	X X X		
29.	Unassigned funds (surplus) .....	X X X	X X X	(5,865,399)	(8,031,905)
30.	Less treasury stock, at cost:				
30.1	.....0 shares common (value included in Line 24 \$.....0) .....	X X X	X X X	360	360
30.2	.....0 shares preferred (value included in Line 25 \$.....0) .....	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30) .....	X X X	X X X	19,635,840	17,469,334
32.	Total Liabilities, capital and surplus (Lines 22 and 31) .....	X X X	X X X	34,553,683	30,509,739
DETAILS OF WRITE-INS					
2101.	rounding .....				
2102.	.....				
2103.	.....				
2198.	Summary of remaining write-ins for Line 21 from overflow page .....				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) .....				
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page .....	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	X X X	X X X		
2801.	.....	X X X	X X X		
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page .....	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above) .....	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months .....	X X X .....	392,688	230,223
2.	Net premium income (including \$.....0 non-health premium income) .....	X X X .....	99,735,382	58,273,196
3.	Change in unearned premium reserves and reserve for rate credits .....	X X X .....		
4.	Fee-for-service (net of \$.....0 medical expenses) .....	X X X .....		
5.	Risk revenue .....	X X X .....		
6.	Aggregate write-ins for other health care related revenues .....	X X X .....		
7.	Aggregate write-ins for other non-health revenues .....	X X X .....		
8.	Total revenues (Lines 2 to 7) .....	X X X .....	99,735,382	58,273,196
Hospital and Medical:				
9.	Hospital/medical benefits .....	6,498,667	65,643,106	37,040,189
10.	Other professional services .....			
11.	Outside referrals .....			
12.	Emergency room and out-of-area .....	339,807	3,432,391	2,582,853
13.	Prescription drugs .....		16,135,509	8,876,413
14.	Aggregate write-ins for other hospital and medical .....			
15.	Incentive pool, withhold adjustments and bonus amounts .....			
16.	Subtotal (Lines 9 to 15) .....	6,838,474	85,211,006	48,499,455
Less:				
17.	Net reinsurance recoveries .....		1,640,358	946,749
18.	Total hospital and medical (Lines 16 minus 17) .....	6,838,474	83,570,648	47,552,706
19.	Non-health claims (net) .....			
20.	Claims adjustment expenses, including \$.....2,886,758 cost containment expenses .....		3,906,501	3,623,679
21.	General administrative expenses .....		10,698,221	6,027,305
22.	Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only) .....			
23.	Total underwriting deductions (Lines 18 through 22) .....	6,838,474	98,175,370	57,203,690
24.	Net underwriting gain or (loss) (Lines 8 minus 23) .....	X X X .....	1,560,012	1,069,506
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17) .....		1,039,598	1,244,262
26.	Net realized capital gains (losses) less capital gains tax of \$.....0 .....		4,318	
27.	Net investment gains (losses) (Lines 25 plus 26) .....		1,043,916	1,244,262
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)] .....			
29.	Aggregate write-ins for other income or expenses .....		1	(3)
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	X X X .....	2,603,929	2,313,765
31.	Federal and foreign income taxes incurred .....	X X X .....	91,136	34,212
32.	Net income (loss) (Lines 30 minus 31) .....	X X X .....	2,512,793	2,279,553
DETAILS OF WRITE-INS				
0601.	.....	X X X .....		
0602.	.....	X X X .....		
0603.	.....	X X X .....		
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	X X X .....		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	X X X .....		
0701.	.....	X X X .....		
0702.	.....	X X X .....		
0703.	.....	X X X .....		
0798.	Summary of remaining write-ins for Line 7 from overflow page .....	X X X .....		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above) .....	X X X .....		
1401.	.....			
1402.	.....			
1403.	.....			
1498.	Summary of remaining write-ins for Line 14 from overflow page .....			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) .....			
2901.	rounding .....		1	(3)
2902.	.....			
2903.	.....			
2998.	Summary of remaining write-ins for Line 29 from overflow page .....			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above) .....		1	(3)

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year .....	17,469,334	14,941,027
34.	Net income or (loss) from Line 32 .....	2,512,793	2,279,553
35.	Change in valuation basis of aggregate policy and claim reserves .....		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0 .....		
37.	Change in net unrealized foreign exchange capital gain or (loss) .....		
38.	Change in net deferred income tax .....	(190,000)	252,000
39.	Change in nonadmitted assets .....	(156,274)	(3,247)
40.	Change in unauthorized reinsurance .....		
41.	Change in treasury stock .....		
42.	Change in surplus notes .....		
43.	Cumulative effect of changes in accounting principles .....		
44.	Capital Changes:		
44.1	Paid in .....		
44.2	Transferred from surplus (Stock Dividend) .....		
44.3	Transferred to surplus .....		
45.	Surplus adjustments:		
45.1	Paid in .....		
45.2	Transferred to capital (Stock Dividend) .....		
45.3	Transferred from capital .....		
46.	Dividends to stockholders .....		
47.	Aggregate write-ins for gains or (losses) in surplus .....	(13)	1
48.	Net change in capital and surplus (Lines 34 to 47) .....	2,166,506	2,528,307
49.	Capital and surplus end of reporting year (Line 33 plus 48) .....	19,635,840	17,469,334
DETAILS OF WRITE-INS			
4701.	Rounding .....	(13)	1
4702.	Adjustment to Retained Earnings on Debt for Stock conversion .....		
4703.	Loss on issuance of Series D preferred stock .....		
4798.	Summary of remaining write-ins for Line 47 from overflow page .....		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) .....	(13)	1

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance .....	99,810,797	59,632,064
2.	Net investment income .....	1,048,746	1,182,641
3.	Miscellaneous income .....	(180,124)	26,503
4.	Total (Lines 1 through 3) .....	100,679,419	60,841,208
5.	Benefit and loss related payments .....	81,098,993	47,738,007
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....		
7.	Commissions, expenses paid and aggregate write-ins for deductions .....	15,046,170	8,318,137
8.	Dividends paid to policyholders .....		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses) .....	89,173	12,155
10.	Total (Lines 5 through 9) .....	96,234,336	56,068,299
11.	Net cash from operations (Line 4 minus 10) .....	4,445,083	4,772,909
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds .....	11,975,000	8,500,000
12.2	Stocks .....		
12.3	Mortgage loans .....		
12.4	Real estate .....		
12.5	Other invested assets .....		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7	Miscellaneous proceeds .....		
12.8	Total investment proceeds (Lines 12.1 to 12.7) .....	11,975,000	8,500,000
13.	Cost of investments acquired (long-term only):		
13.1	Bonds .....	10,906,144	8,238,961
13.2	Stocks .....		
13.3	Mortgage loans .....		
13.4	Real estate .....		
13.5	Other invested assets .....		
13.6	Miscellaneous applications .....	96	223
13.7	Total investments acquired (Lines 13.1 to 13.6) .....	10,906,240	8,239,184
14.	Net increase (decrease) in contract loans and premium notes .....		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	1,068,760	260,816
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes .....		
16.2	Capital and paid in surplus, less treasury stock .....		
16.3	Borrowed funds .....		
16.4	Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5	Dividends to stockholders .....		
16.6	Other cash provided (applied) .....	66,845	(9,497)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	66,845	(9,497)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	5,580,688	5,024,228
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year .....	14,695,031	9,670,803
19.2	End of year (Line 18 plus Line 19.1) .....	20,275,719	14,695,031

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001	.....		
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ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

		1	2	3	4	5	6	7	8	9	10
		Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1.	Net premium income .....	99,735,382	99,735,382								
2.	Change in unearned premium reserves and reserve for rate credit .....										
3.	Fee-for-service (net of \$.0 medical expenses) .....										X X X
4.	Risk revenue .....										X X X
5.	Aggregate write-ins for other health care related revenues .....										X X X
6.	Aggregate write-ins for other non-health care related revenues .....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
7.	Total revenues (Lines 1 to 6) .....	99,735,382	99,735,382								
8.	Hospital/medical benefits .....	65,643,106	65,643,106								X X X
9.	Other professional services .....										X X X
10.	Outside referrals .....										X X X
11.	Emergency room and out-of-area .....	3,432,391	3,432,391								X X X
12.	Prescription drugs .....	16,135,509	16,135,509								X X X
13.	Aggregate write-ins for other hospital and medical .....										X X X
14.	Incentive pool, withhold adjustments and bonus amounts .....										X X X
15.	Subtotal (Lines 8 to 14) .....	85,211,006	85,211,006								X X X
16.	Net reinsurance recoveries .....	1,640,358	1,640,358								X X X
17.	Total hospital and medical (Lines 15 minus 16) .....	83,570,648	83,570,648								X X X
18.	Non-health claims (net) .....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19.	Claims adjustment expenses including \$.2,886,758 cost containment expenses .....	3,906,501	3,906,501								
20.	General administrative expenses .....	10,698,221	10,698,221								
21.	Increase in reserves for accident and health contracts .....										X X X
22.	Increase in reserves for life contracts .....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23.	Total underwriting deductions (Lines 17 to 22) .....	98,175,370	98,175,370								
24.	Net underwriting gain or (loss) (Line 7 minus Line 23) .....	1,560,012	1,560,012								
DETAILS OF WRITE-INS											
0501.	.....										X X X
0502.	.....										X X X
0503.	.....										X X X
0598.	Summary of remaining write-ins for Line 5 from overflow page .....										X X X
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) .....										X X X
0601.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0602.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.	.....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698.	Summary of remaining write-ins for Line 6 from overflow page .....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
1301.	.....										X X X
1302.	.....										X X X
1303.	.....										X X X
1398.	Summary of remaining write-ins for Line 13 from overflow page .....										X X X
1399.	TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above) .....										X X X



UNDERWRITING AND INVESTMENT EXHIBIT  
PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical) .....	101,861,610		2,126,228	99,735,382
2.	Medicare Supplement .....				
3.	Dental only .....				
4.	Vision only .....				
5.	Federal Employees Health Benefits Plan .....				
6.	Title XVIII - Medicare .....				
7.	Title XIX - Medicaid .....				
8.	Other health .....				
9.	Health subtotal (Lines 1 through 8) .....	101,861,610		2,126,228	99,735,382
10.	Life .....				
11.	Property/casualty .....				
12.	TOTALS (Lines 9 to 11) .....	101,861,610		2,126,228	99,735,382

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct .....	82,739,979	82,739,979								
1.2 Reinsurance assumed .....										
1.3 Reinsurance ceded .....	1,460,862	1,460,862								
1.4 Net .....	81,279,117	81,279,117								
2. Paid medical incentive pools and bonuses .....										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct .....	9,454,988	9,454,988								
3.2 Reinsurance assumed .....										
3.3 Reinsurance ceded .....										
3.4 Net .....	9,454,988	9,454,988								
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct .....										
4.2 Reinsurance assumed .....										
4.3 Reinsurance ceded .....										
4.4 Net .....										
5. Accrued medical incentive pools and bonuses, current year .....										
6. Net healthcare receivables (a) .....	180,124	180,124								
7. Amounts recoverable from reinsurers December 31, current year .....	580,161	580,161								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct .....	6,803,838	6,803,838								
8.2 Reinsurance assumed .....										
8.3 Reinsurance ceded .....										
8.4 Net .....	6,803,838	6,803,838								
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct .....										
9.2 Reinsurance assumed .....										
9.3 Reinsurance ceded .....										
9.4 Net .....										
10. Accrued medical incentive pools and bonuses, prior year .....										
11. Amounts recoverable from reinsurers December 31, prior year .....	400,665	400,665								
12. Incurred benefits:										
12.1 Direct .....	85,211,005	85,211,005								
12.2 Reinsurance assumed .....										
12.3 Reinsurance ceded .....	1,640,358	1,640,358								
12.4 Net .....	83,570,647	83,570,647								
13. Incurred medical incentive pools and bonuses .....										

(a) Excludes \$.00 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct .....	1,832,203	1,832,203								
1.2 Reinsurance assumed .....										
1.3 Reinsurance ceded .....										
1.4 Net .....	1,832,203	1,832,203								
2. Incurred but Unreported:										
2.1 Direct .....	7,617,801	7,617,801								
2.2 Reinsurance assumed .....										
2.3 Reinsurance ceded .....										
2.4 Net .....	7,617,801	7,617,801								
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct .....	4,984	4,984								
3.2 Reinsurance assumed .....										
3.3 Reinsurance ceded .....										
3.4 Net .....	4,984	4,984								
4. TOTALS										
4.1 Direct .....	9,454,988	9,454,988								
4.2 Reinsurance assumed .....										
4.3 Reinsurance ceded .....										
4.4 Net .....	9,454,988	9,454,988								

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1.	Comprehensive (hospital and medical) .....	5,244,881	77,918,184	.....	9,454,989	5,244,881	6,803,838
2.	Medicare Supplement .....	.....	.....	.....	.....	.....	.....
3.	Dental only .....	.....	.....	.....	.....	.....	.....
4.	Vision only .....	.....	.....	.....	.....	.....	.....
5.	Federal Employees Health Benefits Plan .....	.....	.....	.....	.....	.....	.....
6.	Title XVIII - Medicare .....	.....	.....	.....	.....	.....	.....
7.	Title XIX - Medicaid .....	.....	.....	.....	.....	.....	.....
8.	Other health .....	.....	.....	.....	.....	.....	.....
9.	Health subtotal (Lines 1 to 8) .....	5,244,881	77,918,184	.....	9,454,989	5,244,881	6,803,838
10.	Healthcare receivables (a) .....	954,670	929,278	.....	1,085,387	954,670	725,767
11.	Other non-health .....	.....	.....	.....	.....	.....	.....
12.	Medical incentive pool and bonus amounts .....	.....	.....	.....	.....	.....	.....
13.	TOTALS (Lines 9 - 10 + 11 + 12) .....	4,290,211	76,988,906	.....	8,369,602	4,290,211	6,078,071

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior .....	6,159	(20)	(32)		
2.	2004 .....	42,820	48,071	48,074	48,071	48,071
3.	2005 .....	X X X	47,624	53,269	53,352	53,352
4.	2006 .....	X X X	X X X	48,608	52,846	52,862
5.	2007 .....	X X X	X X X	X X X	43,395	47,669
6.	2008 .....	X X X	X X X	X X X	X X X	76,989

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior .....	6,159	(20)	(32)		
2.	2004 .....	51,620	48,071	48,074	48,071	48,071
3.	2005 .....	X X X	55,783	53,297	53,352	53,352
4.	2006 .....	X X X	X X X	55,420	52,847	52,862
5.	2007 .....	X X X	X X X	X X X	50,197	47,669
6.	2008 .....	X X X	X X X	X X X	X X X	86,444

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	2004 .....	57,508	48,071	2,210	4.597	50,281	87.433			50,281	87.433
2.	2005 .....	61,602	53,352	2,674	5.011	56,026	90.948			56,026	90.948
3.	2006 .....	61,788	52,862	2,653	5.019	55,515	89.848			55,515	89.848
4.	2007 .....	59,764	47,669	3,595	7.542	51,264	85.777			51,264	85.777
5.	2008 .....	101,862	76,989	3,424	4.448	80,413	78.943	9,455	70	89,938	88.294

12 Total

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Hospital and Medical  
Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior .....	6,159	(20)	(32)		
2.	2004 .....	42,820	48,071	48,074	48,071	48,071
3.	2005 .....	X X X	47,624	53,269	53,352	53,352
4.	2006 .....	X X X	X X X	48,608	52,846	52,862
5.	2007 .....	X X X	X X X	X X X	43,395	47,669
6.	2008 .....	X X X	X X X	X X X	X X X	76,989

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2004	2 2005	3 2006	4 2007	5 2008
1.	Prior .....	6,159	(20)	(32)		
2.	2004 .....	51,620	48,071	48,074	48,071	48,071
3.	2005 .....	X X X	55,783	53,297	53,352	53,352
4.	2006 .....	X X X	X X X	55,420	52,847	52,862
5.	2007 .....	X X X	X X X	X X X	50,197	47,669
6.	2008 .....	X X X	X X X	X X X	X X X	86,444

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10  (Col. 9/1) Percent
1.	2004 .....	57,508	48,071	2,210	4.597	50,281	87.433			50,281	87.433
2.	2005 .....	61,602	53,352	2,674	5.011	56,026	90.948			56,026	90.948
3.	2006 .....	61,788	52,862	2,653	5.019	55,515	89.848			55,515	89.848
4.	2007 .....	59,764	47,669	3,595	7.542	51,264	85.777			51,264	85.777
5.	2008 .....	101,862	76,989	3,424	4.448	80,413	78.943	9,455	70	89,938	88.294

12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XIX-Medicaid . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XIX-Medicaid . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XIX-Medicaid . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other . . . . .	NONE
12	Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other . . . . .	NONE
13	Underwriting Invest Exh Pt 2D - A & H Reserve . . . . .	NONE

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 - ANALYSIS OF EXPENSES

		Claim Adjustment Expenses		3	4	5
		1	2			
		Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$.....0 for occupancy of own building) .....	175,629	47,968	190,505		414,102
2.	Salaries, wages and other benefits .....	3,065,480	837,245	5,103,041		9,005,766
3.	Commissions (less \$.....0 ceded plus \$.....0 assumed) .....			3,832,735		3,832,735
4.	Legal fees and expenses .....			171,936		171,936
5.	Certifications and accreditation fees .....					
6.	Auditing, actuarial and other consulting services .....	344,750	12,574	468,737		826,061
7.	Traveling expenses .....	33,935	3,942	76,275		114,152
8.	Marketing and advertising .....	4,845	3,000	466,850		474,695
9.	Postage, express and telephone .....	101,561	207,477	381,822		690,860
10.	Printing and office supplies .....	60,263	2,507	420,128		482,898
11.	Occupancy, depreciation and amortization .....			267,494		267,494
12.	Equipment .....					
13.	Cost or depreciation of EDP equipment and software .....					
14.	Outsourced services including EDP, claims, and other services .....	20,810	319,638	3,320,723		3,661,171
15.	Boards, bureaus and association fees .....					
16.	Insurance, except on real estate .....			219,991		219,991
17.	Collection and bank service charges .....					
18.	Group service and administration fees .....					
19.	Reimbursements by uninsured plans .....	(1,383,379)	(488,676)	(5,126,753)		(6,998,808)
20.	Reimbursements from fiscal intermediaries .....					
21.	Real estate expenses .....					
22.	Real estate taxes .....					
23.	Taxes, licenses and fees:					
23.1	State and local insurance taxes .....					
23.2	State premium taxes .....			492,594		492,594
23.3	Regulator authority licenses and fees .....			10,587		10,587
23.4	Payroll taxes .....	186,230	51,376	198,790		436,396
23.5	Other (excluding federal income and real estate taxes) .....	379	155			534
24.	Investment expenses not included elsewhere .....					
25.	Aggregate write-ins for expenses .....	276,255	22,537	202,766		501,558
26.	Total expenses incurred (Lines 1 to 25) .....	2,886,758	1,019,743	10,698,221		(a) 14,604,722
27.	Less expenses unpaid December 31, current year .....		68,944	1,349,642		1,418,586
28.	Add expenses unpaid December 31, prior year .....		58,045	1,357,144		1,415,189
29.	Amounts receivable relating to uninsured plans, prior year .....					
30.	Amounts receivable relating to uninsured plans, current year .....					
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) .....	2,886,758	1,008,844	10,705,723		14,601,325
DETAILS OF WRITE-INS						
2501.	Miscellaneous .....	26,255	22,537	25,268		74,060
2502.	Network Rental Fee .....	250,000				250,000
2503.	.....			10,899		10,899
2598.	Summary of remaining write-ins for Line 25 from overflow page .....			166,599		166,599
2599.	Totals (Lines 2501 through 2503 + 2598) (Line 25 above) .....	276,255	22,537	202,766		501,558

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.



EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds .....	(a)..... 555,276	..... 521,707
1.1	Bonds exempt from U.S. tax .....	(a).....	.....
1.2	Other bonds (unaffiliated) .....	(a).....	.....
1.3	Bonds of affiliates .....	(a).....	.....
2.1	Preferred stocks (unaffiliated) .....	(b).....	.....
2.11	Preferred stocks of affiliates .....	(b).....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans .....	(c).....	.....
4.	Real estate .....	(d).....	.....
5.	Contract loans .....	.....	.....
6.	Cash, cash equivalents and short-term investments .....	(e)..... 514,033	..... 517,891
7.	Derivative instruments .....	(f).....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....	.....
10.	Total gross investment income .....	..... 1,069,309	..... 1,039,598
11.	Investment expenses .....	(g).....	
12.	Investment taxes, licenses and fees, excluding federal income taxes .....	(g).....	
13.	Interest expense .....	(h).....	
14.	Depreciation on real estate and other invested assets .....	(i).....	
15.	Aggregate write-ins for deductions from investment income .....	.....	
16.	Total deductions (Lines 11 through 15) .....	.....	
17.	Net Investment income (Line 10 minus Line 16) .....	..... 1,039,598	
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....
1501.	.....	.....	.....
1502.	.....	.....	.....
1503.	.....	.....	.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....	.....	.....
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) .....	.....	.....
(a) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.			
(c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.			
(e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.			
(g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.			
(h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.			
(i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.			

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	..... 4,318	.....	..... 4,318	.....	.....
1.1	Bonds exempt from U.S. tax .....	.....	.....	.....	.....	.....
1.2	Other bonds (unaffiliated) .....	.....	.....	.....	.....	.....
1.3	Bonds of affiliates .....	.....	.....	.....	.....	.....
2.1	Preferred stocks (unaffiliated) .....	.....	.....	.....	.....	.....
2.11	Preferred stocks of affiliates .....	.....	.....	.....	.....	.....
2.2	Common stocks (unaffiliated) .....	.....	.....	.....	.....	.....
2.21	Common stocks of affiliates .....	.....	.....	.....	.....	.....
3.	Mortgage loans .....	.....	.....	.....	.....	.....
4.	Real estate .....	.....	.....	.....	.....	.....
5.	Contract loans .....	.....	.....	.....	.....	.....
6.	Cash, cash equivalents and short-term investments .....	.....	.....	.....	.....	.....
7.	Derivative instruments .....	.....	.....	.....	.....	.....
8.	Other invested assets .....	.....	.....	.....	.....	.....
9.	Aggregate write-ins for capital gains (losses) .....	.....	.....	.....	.....	.....
10.	Total capital gains (losses) .....	..... 4,318	.....	..... 4,318	.....	.....
DETAILS OF WRITE-INS						
0901.	.....	.....	.....	.....	.....	.....
0902.	.....	.....	.....	.....	.....	.....
0903.	.....	.....	.....	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....	.....	.....	.....	.....
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) .....	.....	.....	.....	.....	.....

EXHIBIT OF NONADMITTED ASSETS

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D) .....			
2.	Stocks (Schedule D):			
2.1	Preferred stocks .....			
2.2	Common stocks .....			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens .....			
3.2	Other than first liens .....			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company .....			
4.2	Properties occupied for the production of income .....			
4.3	Properties held for sale .....			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA) .....			
6.	Contract loans .....			
7.	Other invested assets (Schedule BA) .....			
8.	Receivables for securities .....			
9.	Aggregate write-ins for invested assets .....			
10.	Subtotals, cash and invested assets (Lines 1 to 9) .....			
11.	Title plants (for Title insurers only) .....			
12.	Invested income due and accrued .....			
13.	Premium and considerations:			
13.1	Uncollected premiums and agents' balances in the course of collection .....			
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due .....			
13.3	Accrued retrospective premiums .....			
14.	Reinsurance:			
14.1	Amounts recoverable from reinsurers .....			
14.2	Funds held by or deposited with reinsured companies .....			
14.3	Other amounts receivable under reinsurance contracts .....			
15.	Amounts receivable relating to uninsured plans .....			
16.1	Current federal and foreign income tax recoverable and interest thereon .....			
16.2	Net deferred tax asset .....			
17.	Guaranty funds receivable or on deposit .....			
18.	Electronic data processing equipment and software .....			
19.	Furniture and equipment, including health care delivery assets .....			
20.	Net adjustment in assets and liabilities due to foreign exchange rates .....			
21.	Receivables from parent, subsidiaries and affiliates .....			
22.	Health care and other amounts receivable .....	505,226	325,102	(180,124)
23.	Aggregate write-ins for other than invested assets .....	5,900	29,750	23,850
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) .....	511,126	354,852	(156,274)
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			
26.	Total (Lines 24 and 25) .....	511,126	354,852	(156,274)
DETAILS OF WRITE-INS				
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page .....			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) .....			
2301.	Prepaid Admin Contract .....	5,900	29,750	23,850
2302.	.....			
2303.	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page .....			
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) .....	5,900	29,750	23,850

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations .....	623	57	51	48	51	613
2.	Provider Service Organizations .....						
3.	Preferred Provider Organizations .....						
4.	Point of Service .....	19,584	30,249	32,295	34,329	35,465	392,075
5.	Indemnity Only .....						
6.	Aggregate write-ins for other lines of business .....						
7.	TOTAL .....	20,207	30,306	32,346	34,377	35,516	392,688
DETAILS OF WRITE-INS							
0601.	.....						
0602.	.....						
0603.	.....						
0698.	Summary of remaining write-ins for Line 6 from overflow page .....						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) .....						

# Notes to Financial Statement

## QCA HEALTH PLAN, INC.

### Notes to Financial Statements - Statutory Basis December 31, 2008 and 2007

#### (1) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used in the preparation of the accompanying financial statements. Such policies are in conformity with the Annual Statement Instructions and the Accounting Practices and Procedures Manual of the National Association of Insurance Commissioners ("NAIC") and the accounting practices as prescribed or permitted by the Arkansas Insurance Department and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents:** The Company considers all cash accounts and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Certificates of Deposit with a maturity of one year or less are also considered to be cash equivalents.

**Premiums Receivable:** The Company uses the allowance method of accounting for uncollectible receivables. Premiums receivable represent medical premium revenue that has been billed and recognized as revenue, but has not been collected.

**Investment Securities:** Bonds and other debt instruments are classified as held to maturity and are stated at cost adjusted for amortization of premiums and accretion of discounts computed by the interest method. Certificates of deposit, money market trust accounts, and other interest bearing accounts are stated at cost.

**Medical Claims Payable:** Reported claims expected to be paid after the balance sheet date for services provided to members prior to the balance sheet date are recorded as liabilities. Claims for services provided to members during the financial reporting period which are unreported at the balance sheet date are estimated based on the Company's claims experience and recorded as liabilities. The amounts recorded are based upon estimates of the ultimate net cost of such services provided. These reserves are subject to continuous review by management and changes in estimates are reflected in earnings currently.

**Income Taxes:** Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to the differences between the treatment of surplus notes payable for financial and income tax reporting and net operating loss carryforwards. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

**Revenue:** Medical premium revenue is recognized in the month in which members are entitled to receive health care services. Medical premiums collected in advance are recorded as unearned premium revenue.

**Cost of Benefits Provided:** Cost of benefits provided includes the costs of all medical services delivered to enrolled members of the Company and for whom the Company has recorded medical premium revenue during the reporting period. These costs include payments for specific medical services paid to physicians, hospitals, and other health care providers on a fee-for-service basis. Costs of benefits include claims paid, claims in process and pending, estimates of unreported claims and charges, and processing costs of those estimates at the end of the fiscal year for which the Company will be responsible. There are a limited number of provider contracts within the network that contain a risk sharing arrangement. The withhold from this arrangement is recorded as an expense and paid out in its entirety at the end of each month.

Notes to Financial Statement

**Premium Tax:** The state in which the Company does business requires the remittance of premium taxes based upon a percentage of billed premiums.

**Advertising Costs:** Advertising and promotions related expenses are charged to operations when incurred.

**Non-Admitted Assets:** Certain assets (principally pharmaceutical rebate receivables and deferred tax assets not expected to be realized within a 12 month period) designated as "non-admitted" are not included in the financial statements.

**Accounting Estimates:** The preparation of financial statements in conformity with the accounting practices described above requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

(2) Accounting Changes and Corrections of Errors

None.

(3) Business Combinations and Goodwill

None.

(4) Discontinued Operations

None.

(5) Investments

The carrying value and estimated market value of investments in securities as of December 31, 2008 and 2007 are as follows:

		2008			
		Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government securities	\$	11,393,476	188,239	-	11,581,715
Corporate bond		997,002	37,098	-	1,034,100
	\$	12,390,478	225,337	-	12,615,815
		2007			
		Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government securities	\$	13,445,246	71,025	243	13,516,028

The carrying value and estimated market value of securities as of December 31, 2008, by contractual maturity, are shown below:

	Carrying Value	Estimated Market Value
Matures in one year or less	\$ 4,905,244	4,950,120
Matures in one to three years	7,485,234	7,665,695
	\$ 12,390,478	12,615,815

Notes to Financial Statement

Included in the amounts above, the Company holds a U.S. Government debt security that is restricted due to regulatory requirements, which matures in one to three years and is held to maturity. At December 31, 2008 and 2007, the aggregate fair value was \$637,500 and \$624,761, respectively.

Information pertaining to securities with gross unrealized losses at December 31, 2008 and 2007, aggregated by investment category and length of time individual securities have been in a continuous loss position, is as follows:

		2008					
		Less Than 12 Months		12 Months or Greater		Total	
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
None							
	\$	-	-	-	-	-	-
		2007					
		Less Than 12 Months		12 Months or Greater		Total	
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
FNMA	\$						
certificates		-	-	999,690	243	999,690	243
	\$	-	-	999,690	243	999,690	243

All of the securities above are either guaranteed by the U.S. Government or secured by mortgage loans. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer’s financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer’s financial condition. As management has the ability to hold debt securities until maturity, no declines are deemed to be other-than-temporary.

(6) Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in joint ventures, partnerships, or limited liability companies that exceed 10% of its admitted assets.

(7) Investment Income

The Company’s investment income was earned on cash and cash equivalents, and bonds and no investment income was excluded from surplus for the years ending December 31, 2008 and 2007.

(8) Derivative Instruments

None.

Notes to Financial Statement

(9) Income Taxes

The Company’s net deferred tax asset account was comprised of the following as of December 31:

	<u>2008</u>	<u>2007</u>
Deferred tax assets	\$ 1,486,817	2,719,281
Valuation allowance	(862,817)	(1,905,281)
	<u>\$ 624,000</u>	<u>814,000</u>

The Company has available as of December 31, 2008 unused operating loss carryforwards that may be applied against future taxable income and that expire as follows:

<u>Year of Expiration</u>	<u>Unused Operating Loss Carryforwards</u>
2020	4,088,841
2021	557,462
	<u>\$ 4,646,303</u>

The provision for income taxes in the financial statements differs from the amount determined by applying the statutory Federal income rate to earnings before income taxes. The reconciling items and amounts as of December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Expected income tax expense	\$ 1,046,484	739,813
Benefit from net operating loss carryforwards	(981,079)	(705,600)
	<u>\$ 65,405</u>	<u>34,213</u>

While the Company has unused operating loss carryforwards to offset any regular taxable income, the Company is only allowed a 90% net operating loss reduction in the calculation of the alternative minimum tax (AMT). Thus, in years in which the Company’s regular taxable income is offset due to loss carryforwards, the Company will still be subject to some amount of AMT. This has resulted in AMT credit carryovers of approximately \$170,000 that may be available to offset future regular income tax.

(10) Information Concerning Parent, Subsidiaries and Affiliates

During 2008, the Company entered into a service agreement with an affiliate whereby the affiliate would provide a full range of administrative, managerial and technological services. The Company paid this affiliate \$14,678,932 during 2008 for these services. During 2007 the Company had a contract with this affiliate for more limited services and paid this affiliate \$2,143,672 for these services.

During November 1999, the Company entered into a service agreement with an affiliate of a stockholder whereby the affiliate would provide a full range of administrative, managerial and technological services as well as the continued license rights that the Company had previously obtained from the stockholder. An amendment to this agreement was entered into effective November 30, 2001, whereby the term of the agreement will continue until December 31, 2007, and will be renewed automatically

## Notes to Financial Statement

for additional renewal terms of 1 year thereafter. The affiliate may also terminate the agreement in the event that the Company is not compliant with the risk based capital requirements contained within the amendment. Effective December 30, 2006, a second amendment to this agreement was entered into in which the parties acknowledged the agreement will terminate on December 31, 2007. This amendment also provided for the orderly transition of all services back to the Company. The Company paid this affiliate \$4,950,950 during 2007. This contract expired at the end of 2007. The Company did not pay this affiliate any fees in 2008.

Under the provisions of various provider contracts, the Company paid \$32,835,885 and \$37,824,661 to hospitals owned a portion of the Company's common or preferred stock during 2008 and 2007, respectively.

Revenue in the amount of \$6,428,319 and \$5,937,561 were received from hospitals that either owned a portion of the Company's common or preferred stock during 2008 and 2007, respectively, that relate to risk-based and administrative services only (ASO) lines of business.

The Company was due \$155,478 and \$511,066 from a stockholder as of December 31, 2008 and 2007, respectively. The balance relates to an agreement between the Company and QualChoice of Arkansas, Inc. ("QualChoice"), for professional services from a network of physicians, in which qualifying fee-for-service medical charges are withheld by QualChoice and remitted to the Company.

The Company owed \$276,496 and \$712,550 to stockholders as of December 31, 2008 and 2007, respectively, for general expenses paid on behalf of the Company.

The Company entered into an agreement with QualChoice in November 2001, whereby the Company assumed the groups QualChoice managed under a third party administrator agreement on January 1, 2002, on behalf of employers which sponsor health benefit plans for employees. The Company assumed the obligations to perform such duties under the existing contracts with QualChoice, and in exchange for receiving these groups, the Company is to pay QualChoice \$650,000 in annual network rental fees for the years ending December 31, 2002 through 2007. The fees can be renegotiated annually. The fee was renegotiated for 2008. The Company paid \$250,000 in network rental fees to QualChoice for each of the years ending December 31, 2008 and 2007.

### (11) Surplus Notes

There were no Surplus notes in 2008 or 2007.

### (12) Retirement Plans, Deferred Compensation and Other Postretirement Benefit Plans

The Company has an employee 401(k) plan covering all full-time employees of the Company who have completed three months of employment and choose to participate. The Company contributes an amount equal to the portion of the employee's contribution which does not exceed 3% of the employee's salary. Contributions to the plan during 2007 and 2006 totaled \$178,984 and \$131,293 respectively.

### (13) Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

The Company has 50,000 shares of \$.10 per share par value common stock authorized and 11,925 shares outstanding, exclusive of 3,600 shares held as treasury stock. The Company has 25,500.046 shares of \$1,000 par value preferred stock outstanding. The Company does not intend to pay dividends on its common or preferred stock in the foreseeable future.

The Company's preferred stock structure is as follows as of December 31:



Notes to Financial Statement

	2008	2007
Series A, \$1,000 par value; 5% noncumulative, nonvoting; convertible into 4,732 shares of nonvoting common stock; 2,868 shares authorized and issued.	\$ 2,868,000	2,868,000
Series B, \$1,000 par value; 5% noncumulative, nonvoting; convertible into 16,833 shares of nonvoting common stock; 9,342.808 shares authorized and issued.	9,342,808	9,342,808
Series C, \$1,000 par value; 2% noncumulative, nonvoting, nonconvertible; 5,000 shares authorized and issued.	5,000,000	5,000,000
Series D, \$1,000 par value; noncumulative, nonvoting, nonconvertible; 8,289.238 shares authorized and issued.	8,289,238	8,289,238
	<u>\$ 25,500,046</u>	<u>25,500,046</u>

In the event of any voluntary or involuntary liquidation, dissolution, or winding up of the affairs of the Company the holders of the preferred stock shall be entitled to share ratably in any assets of the Company available for distribution to the Company’s stockholders. The amount will be equal to the greater of (a) \$1,000 per share of preferred stock, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization, plus all declared, approved, but unpaid dividends through such distribution payment date or (b) the amount per share such shareholder would receive if such shareholder converted such shares of preferred stock into common stock in accordance with the conversion factor set out on in the “Statement of Preferences and Terms of Preferred Stock” immediately prior to such liquidation, dissolution, or winding up of the affairs of the Company. Any payments or distributions to the preferred stockholders shall be made before any such payments or distributions shall be made to common stockholders.

(14) Contingent Liabilities

The Company is a defendant in general litigation as of December 31, 2008, in the ordinary course of business. The Company’s management believes, however, that any liability it may incur as a result of this litigation would not have a material or adverse effect to the financial statements and, accordingly, no contingencies have been recorded.

The Company is subject to various regulatory requirements, including maintenance of minimum capital and surplus. At December 31, 2008, the Company is in compliance with requirements established by the Arkansas Insurance Department. The Company is required to maintain restricted investments in the minimum maturity amount of \$625,000.

(15) Leases

None.

(16) Information About Financial Instruments With Off Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

None.

(17) Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

## Notes to Financial Statement

None.

**(18) Gain or Loss To The Reporting Entity From Uninsured A&H Plans and The Uninsured Portion of Partially Insured Plans**

During 2008 and 2007, the Company had Administrative Services Only (ASO) contracts and minimum premium contracts, for which the employer retained all health care service risk, while the Company assumed administrative risk. The Company recorded administrative fee revenues of approximately \$6,998,808 and \$7,648,177 for 2008 and 2007, respectively. The amounts are not recorded as revenue in this statutory statement, but rather as a reduction in operating expenses. The profit (loss) associated with this line of business was \$279,894 and \$301,096 for 2008 and 2007, respectively. The claims volume was approximately \$96,940,691 and \$94,068,329 for 2008 and 2007, respectively. The Company has no Medicare or similarly structured cost based reimbursement contracts.

**(19) Direct Premium Written/Produced By Managing General Agents/Third Party Administrators**

None.

**(20) Other Items**

None.

**(21) Events Subsequent**

None.

**(22) Reinsurance**

The Company is covered under a medical reinsurance agreement effective October 1, 2008 through September 30, 2009, that provides annual coverage for eligible in area and out of area hospital services of 90% in excess of \$150,000 per member. The policy covers all medical and pharmaceutical services including inpatient and outpatient hospital, sub-acute facility services, skilled nursing facility and rehabilitation facility services, hospice services, home health agency services, outpatient facility services, prescription drugs, and physician and other professional services. Certain of the covered services have per unit or annual coverage limits. For example, coverage for inpatient hospital services is limited \$4,000 per day and coverage for prescription drugs is limited to \$250,000 per contract year. The reinsurance limitation of the maximum average per day is waived for transplant services performed in a hospital whose negotiated arrangement has been approved by the reinsurer. Each insured member's coverage is limited to \$5,000,000 in the contract year. The policy is a renewal of an initial contract signed in October 2005, with Allianz Life Insurance Company of North America ("Allianz"). The original agreement provided coverage for only hospital services and high cost specialty pharmaceuticals. During 2007, HCC Life Insurance Company ("HCC") acquired Allianz. The renewal on October 1, 2007 was written with HCC, as is the October 1, 2008 renewal.

The reinsurance agreement also includes catastrophic reinsurance coverage. The catastrophic provision provides coverage for the same categories of eligible medical services of 90% in excess of \$500,000 per member with coverage limited to an average of \$10,000 per day over the entire length of stays in the hospital with a maximum of \$5,000,000 per member in the contract year. The Company receives reimbursement under the agreement at the most favorable coverage level.

The reinsurance agreement contains a provision through which the Company may receive an Experience Refund equal to 50% of a realized gain in a contract year. A realized gain is defined as the amount by which the actual claims against policy filed by the Company are less than 70% of total policy premiums for the contract year. The policy must be renewed in a subsequent contract year for the Company to receive a prior year's Experience Refund. At December 31, 2008 the Company recorded no

Notes to Financial Statement

receivable for Experience Refund related to the contract year ended September 30, 2008. At December 31, 2007 the Company recorded a receivable of \$307,092 for Experience Refund related to the contract year ended September 30, 2007.

The Company has recorded a reinsurance receivable in the amount of \$400,665 for expenses that exceed the limits discussed above.

The reinsurance agreement also contains a Continuation of Coverage endorsement in the event of insolvency on the part of the Company. The limitation on liability to HCC under this endorsement is \$5,000,000.

The Company has no return commission, which would have been due if the Company had cancelled the reinsurance. The Company has no retroactive reinsurance agreements. The reinsurance does not have retroactive termination arrangement clause.

(23) Retrospectively Rated Contracts & Contracts Subject To Redetermination

None.

(24) Change In Incurred Claims and Claim Adjustment Expenses

None.

(26) Intercompany Pooling Arrangements

None.

(27) Structured Settlements

None.

(28) Health Care Receivables

The Company experienced the following activity associated with the pharmaceutical rebate receivables by quarter for the previous three years from December 31, 2007:

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Confirmed	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2008	505,226				
9/30/2008	396,280	105,569	105,569		
6/30/2008	179,162	115,937	10,368	105,569	
3/31/2008	245,543	279,640	163,703	10,368	105,569
12/31/2007	325,102	317,276	143,205	163,703	10,368
9/30/2007	163,204	299,498	155,670	143,205	623
6/30/2007	158,392	355,300	196,503	155,670	3,127
3/31/2007	260,772	564,530	212,357	196,503	155,670
12/31/2006	351,605	493,183	234,569	212,357	46,257
9/30/2006	392,330	523,162	258,577	234,569	30,016
6/30/2006	467,134	573,748	272,458	258,577	42,713
3/31/2006	485,150	547,684	253,599	272,458	21,627

(29) Participating Policies

Notes to Financial Statement

None.

(30) Premium Deficiency Reserves

None.

(31) Anticipated Salvage and Subrogation

None.

GENERAL INTERROGATORIES  
PART 1 - COMMON INTERROGATORIES  
GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[ ] No[X]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[ ] No[ ] N/A[X]
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[ ] No[X]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2005
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2005
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

12/11/2006
- 3.4 By what department or departments?  
Arkansas Insurance Department
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes[ ] No[ ] N/A[X]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with?

Yes[ ] No[ ] N/A[X]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business?

Yes[ ] No[X]
- 4.12 renewals?

Yes[ ] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business?

Yes[ ] No[X]
- 4.22 renewals?

Yes[ ] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[ ] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes[ ] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[ ] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

0.000%
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[ ] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[ ] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
		Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]	Yes[ ] No[X]

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Rasco, Winter, Abston, Moore & Assoc. 400 West Capitol, Suite 1624 Little Rock, Arkansas 72201-3458
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Milliman USA One Pennsylvania Plaza, 38th Floor New York, New York 10119
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes[ ] No[X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved

0
- 11.13 Total book/adjusted carrying value

\$ 0
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes[ ] No[ ] N/A[X]
- 12.3 Have there been any changes made to any of the trust indentures during the year?

Yes[ ] No[ ] N/A[X]

GENERAL INTERROGATORIES (Continued)

- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?
- Yes[ ] No[ ] N/A[X]
- 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?  
a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
c. Compliance with applicable governmental laws, rules and regulations;  
d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
e. Accountability for adherence to the code.
- Yes[X] No[ ]
- 13.11 If the response to 13.1 is No, please explain:
- 13.2 Has the code of ethics for senior managers been amended?
- Yes[X] No[ ]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).  
Modifications were made to be more precise about what activities are not premitted and to add reporting requirements.
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers?
- Yes[ ] No[X]
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?
- Yes[ ] No[X]
15. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?
- Yes[X] No[ ]
16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?
- Yes[X] No[ ]

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?
- Yes[ ] No[X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):  
18.11 To directors or other officers  
18.12 To stockholders not officers  
18.13 Trustees, supreme or grand (Fraternal only)
- \$ 0  
\$ 0  
\$ 0
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):  
18.21 To directors or other officers  
18.22 To stockholders not officers  
18.23 Trustees, supreme or grand (Fraternal only)
- \$ 0  
\$ 0  
\$ 0
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?
- Yes[ ] No[X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:  
19.21 Rented from others  
19.22 Borrowed from others  
19.23 Leased from others  
19.24 Other
- \$ 0  
\$ 0  
\$ 0  
\$ 0
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?
- Yes[ ] No[X]
- 20.2 If answer is yes:  
20.21 Amount paid as losses or risk adjustment  
20.22 Amount paid as expenses  
20.23 Other amounts paid
- \$ 0  
\$ 0  
\$ 0
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?
- Yes[X] No[ ]
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:
- \$ 155,478

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)
- Yes[X] No[ ]
- 22.2 If no, give full and complete information, relating thereto:
- 22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet, (an alternative is to reference Note 16 where this information is also provided)
- 22.4 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?
- Yes[ ] No[ ] N/A[X]
- 22.5 If answer to 22.4 is YES, report amount of collateral
- \$ 0
- 22.6 If answer to 22.4 is NO, report amount of collateral
- \$ 0
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3).
- Yes[ ] No[X]
- 23.2 If yes, state the amount thereof at December 31 of the current year:  
23.21 Subject to repurchase agreements  
23.22 Subject to reverse repurchase agreements  
23.23 Subject to dollar repurchase agreements  
23.24 Subject to reverse dollar repurchase agreements  
23.25 Pledged as collateral  
23.26 Placed under option agreements  
23.27 Letter stock or securities restricted as to sale  
23.28 On deposit with state or other regulatory body  
23.29 Other
- \$ 0  
\$ 0  
\$ 0  
\$ 0  
\$ 0  
\$ 0  
\$ 0  
\$ 0  
\$ 0
- 23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB?
- Yes[ ] No[X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.
- Yes[ ] No[ ] N/A[X]
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?
- Yes[ ] No[X]

GENERAL INTERROGATORIES (Continued)

25.2 If yes, state the amount thereof at December 31 of the current year. \$..... 0

26. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[ ]

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Arvest Asset Management .....	200 Commerce Dr. Ste. 100, Little Rock, AR .....
Stephens Bank Trust .....	111 Center Street, Little Rock, AR .....

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....	.....	.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes[X] No[ ]

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Simmons First National Bank .....	Stephens Bank Trust .....	11/21/2008 ..	Potential higher yield .....

26.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
.....	Dennis Whitaker .....	200 Commerce Dr. Ste. 100 Little Rock, AR .....
.....	Alan Tedford .....	111 Center Street, Little Rock, AR .....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[ ] No[X]

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999 Total .....		.....

27.3 For each mutual fund listed in the table above, complete the following schedule:

1  Name of Mutual Fund (from above table)	2  Name of Significant Holding of the Mutual Fund	3  Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4  Date of Valuation
.....	.....	.....	.....

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1  Statement (Admitted) Value	2  Fair Value	3  Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds .....	12,390,478	12,615,815	225,337
28.2 Preferred stocks .....			
28.3 Totals .....	12,390,478	12,615,815	225,337

28.4 Describe the sources of methods utilized in determining the fair values  
Provided by bank statements/Trust Company reporting

29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[X] No[ ]

29.2 If no, list exceptions:

GENERAL INTERROGATORIES (Continued)  
OTHER

30.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$ ..... 28,500  
30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
AM Best .....	..... 28,500

31.1 Amount of payments for legal expenses, if any? \$ ..... 171,936  
31.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Wright, Lindsey & Jennings .....	..... 154,613

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ ..... 0  
32.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....





FIVE-YEAR HISTORICAL DATA

	1 2008	2 2007	3 2006	4 2005	5 2004
<b>BALANCE SHEET (Pages 2 and 3)</b>					
1. Total admitted assets (Page 2, Line 26) .....	34,553,683	30,509,739	24,851,692	25,565,873	23,527,284
2. Total liabilities (Page 3, Line 22) .....	14,917,843	13,040,405	9,910,665	11,944,102	11,293,864
3. Statutory surplus .....	3,878,796	2,459,407	2,685,230	2,630,273	2,481,421
4. Total capital and surplus (Page 3, Line 31) .....	19,635,840	17,469,334	14,941,027	13,621,771	12,233,420
<b>INCOME STATEMENT (Page 4)</b>					
5. Total revenues (Line 8) .....	99,735,382	58,273,196	60,478,211	59,884,416	56,883,747
6. Total medical and hospital expenses (Line 18) .....	83,570,648	47,552,706	52,769,346	51,686,944	48,318,399
7. Claims adjustment expenses (Line 20) .....	3,906,501	3,623,679	2,500,794	2,313,666	2,209,635
8. Total administrative expenses (Line 21) .....	10,698,221	6,027,305	5,144,766	4,662,511	4,143,261
9. Net underwriting gain (loss) (Line 24) .....	1,560,012	1,069,506	63,305	1,221,295	2,212,452
10. Net investment gain (loss) (Line 27) .....	1,043,916	1,244,262	1,089,437	738,627	248,986
11. Total other income (Lines 28 plus 29) .....	1	(3)			1,320
12. Net income or (loss) (Line 32) .....	2,512,793	2,279,553	1,139,185	1,929,036	2,279,342
<b>Cash Flow (Page 6)</b>					
13. Net cash from operations (Line 11) .....	4,445,083	4,772,909	(1,512,033)	2,321,173	2,499,514
<b>RISK-BASED CAPITAL ANALYSIS</b>					
14. Total adjusted capital .....	19,635,840	17,469,334	14,941,027	13,621,771	12,233,420
15. Authorized control level risk-based capital .....	3,878,796	2,459,407	2,685,230	2,630,273	2,481,421
<b>ENROLLMENT (Exhibit 1)</b>					
16. Total members at end of period (Column 5, Line 7) .....	35,516	20,207	19,703	22,201	20,867
17. Total members months (Column 6, Line 7) .....	392,688	230,223	243,317	246,380	241,222
<b>OPERATING PERCENTAGE (Page 4)</b>					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19) .....	83.8	81.6	87.3	86.0	85.0
20. Cost containment expenses .....	2.9	4.4	1.0	1.0	2.0
21. Other claims adjustment expenses .....	1.0	1.8	3.0	2.0	2.0
22. Total underwriting deductions (Line 23) .....	98.4	98.2	99.9	98.0	96.0
23. Total underwriting gain (loss) (Line 24) .....	2	2	0	2	4
<b>UNPAID CLAIMS ANALYSIS</b>					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Column 5) .....	4,290,211	4,318,319	5,643,890	5,231,680	6,212,397
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)] .....	6,078,071	6,236,869	7,690,929	8,859,592	9,519,929
<b>INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES</b>					
26. Affiliated bonds (Sch. D Summary, Line 25, Column 1) .....					
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1) .....					
28. Affiliated common stocks (Sch. D Summary, Line 53, Column 1) .....					
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) .....					
30. Affiliated mortgage loans on real estate .....					
31. All other affiliated .....	5,580	5,484	5,261	5,086	
32. Total of above Lines 26 to 31 .....	5,580	5,484	5,261	5,086	

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS  
ALLOCATED BY STATES AND TERRITORIES

		1	Direct Business Only							
		Active Status	2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Program Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/ Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit - Type Contracts
State, Etc.										
1. Alabama (AL)	N									
2. Alaska (AK)	N									
3. Arizona (AZ)	N									
4. Arkansas (AR)	L		101,861,610						101,861,610	
5. California (CA)	N									
6. Colorado (CO)	N									
7. Connecticut (CT)	N									
8. Delaware (DE)	N									
9. District of Columbia (DC)	N									
10. Florida (FL)	N									
11. Georgia (GA)	N									
12. Hawaii (HI)	N									
13. Idaho (ID)	N									
14. Illinois (IL)	N									
15. Indiana (IN)	N									
16. Iowa (IA)	N									
17. Kansas (KS)	N									
18. Kentucky (KY)	N									
19. Louisiana (LA)	N									
20. Maine (ME)	N									
21. Maryland (MD)	N									
22. Massachusetts (MA)	N									
23. Michigan (MI)	N									
24. Minnesota (MN)	N									
25. Mississippi (MS)	N									
26. Missouri (MO)	N									
27. Montana (MT)	N									
28. Nebraska (NE)	N									
29. Nevada (NV)	N									
30. New Hampshire (NH)	N									
31. New Jersey (NJ)	N									
32. New Mexico (NM)	N									
33. New York (NY)	N									
34. North Carolina (NC)	N									
35. North Dakota (ND)	N									
36. Ohio (OH)	N									
37. Oklahoma (OK)	N									
38. Oregon (OR)	N									
39. Pennsylvania (PA)	N									
40. Rhode Island (RI)	N									
41. South Carolina (SC)	N									
42. South Dakota (SD)	N									
43. Tennessee (TN)	N									
44. Texas (TX)	N									
45. Utah (UT)	N									
46. Vermont (VT)	N									
47. Virginia (VA)	N									
48. Washington (WA)	N									
49. West Virginia (WV)	N									
50. Wisconsin (WI)	N									
51. Wyoming (WY)	N									
52. American Samoa (AS)	N									
53. Guam (GU)	N									
54. Puerto Rico (PR)	N									
55. U.S. Virgin Islands (VI)	N									
56. Northern Marianas Islands (MP)	N									
57. Canada (CN)	N									
58. Aggregate other alien (OT)	X X X									
59. Subtotal	X X X		101,861,610						101,861,610	
60. Reporting entity contributions for Employee Benefit Plans	X X X									
61. TOTAL (Direct Business)	(a) 1		101,861,610						101,861,610	
DETAILS OF WRITE-INS										
5801.	X X X									
5802.	X X X									
5803.	X X X									
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X									
5899. TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X									

(a) Insert the number of L responses except for Canada and Other Alien.  
Explanation of basis of allocation of premiums by states, etc.:

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER  
MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART

PARENTS:

QualChoice of Arkansas, Inc.  
FEIN: 71-0752544  
Third Party Administrator of  
Managed Care Health

The Trizetto Group, Inc.  
FEIN: 33-0761159  
Managed Care Services  
and Consulting Firm

81.34%

1.68%

University of Arkansas  
for Medical Sciences  
FEIN: 71-6046242

Arkansas Children's Hospital  
FEIN: 71-0236857

15.09%

1.89%

HMO:

QCA Health Plan, Inc.  
FEIN: 71-0794605  
Health Maintenance Organization

SUBSIDIARY:

QCA Insurance Agency, LLC  
FEIN: 36-4571617  
owned 100% by QCA Health Plan, Inc.

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